

A-76 COMMUNICATOR

A QUARTERLY NEWSLETTER FOCUSED ON DOE A-76 STUDIES
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Message from the CFO

I am very pleased to provide you with the first edition of the A-76 Communicator. I want this publication to provide you with useful and timely information on the Department's current Competitive Sourcing Initiatives.

The President identified Competitive Sourcing as one of his five management objectives to enhance government efficiency and effectiveness. Competitive Sourcing is an examination of commercial activities to determine the most cost-effective method of acquiring these services. The goal – to give taxpayers the best savings for their dollars.

The competitive sourcing initiative strives to create a government that encourages competition, innovation, and choice. Numerous independent studies (conducted inside and outside the government) prove that public-private competition creates significant improvements in cost savings and performance. Although many Federal employees perform tasks that are readily available in the private sector, in civilian agencies these positions have rarely been subjected to the rigors of cost comparison.

Competition will help us identify the most efficient means to accomplish our mission. Taking this approach, I believe the government will accrue savings and will improve the service we provide to the public.

Understandably, competition also brings about anxiety and fear. One of my goals is to make this process less taxing through education and communication. I am working closely with my Office of Competitive Sourcing to ensure that lines of communication with the Department's employees are open and flowing. We have a competitive sourcing web site; an A-76 hotline is available to answer questions; we are initiating quarterly newsletters; and we are conducting town hall meetings across the DOE complex to discuss competitive sourcing and the studies that are underway. The Department's Functional Area Study Team Leaders are also committed to communicating with individuals whose positions may fall within the scope of their studies.

I hope you find this publication both interesting and informative. I welcome your comments and suggestions on both current articles and/or articles and information you would like to see in future editions.

Bruce Carnes
Director, Office of Management, Budget and
Evaluation/CFO

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COMPETITIVE SOURCING – WHAT IS IT?

Competitive Sourcing Is An Acquisition Process That Compares Private Sector And Government Bids To Determine The Most Cost Effective Way To "Buy" Services.

The framework for conducting these competitions is OMB Circular A-76, a policy issued by the Office of Management and Budget within the Executive Office of the President. The Circular originated in the 1950s as a means to keep the government from competing with the private sector.

Cost comparison studies are mandated by OMB Circular A-76 for those commercial activities involving more than 10 civilian Full-Time Equivalent (FTE) positions.

Historically, the government has realized savings of 20 to 50 percent when conducting these competitions. Regardless of whether the private sector or the government wins, this is a compelling rationale for undertaking this process.

This process has sometimes been mistakenly referred to as "outsourcing" or "contracting-out." In the competitive sourcing process, there is no assumption that the private sector will win the competition. In fact, in the past 20 years, the government has won approximately 50 percent of the competitions, and in the last few years the government has won approximately 60 percent of its public-private competitions.

Outsourcing is the contracting of a commercial activity without a public-private competition.

ADMINISTRATION DIRECTIVES

In its first year, the Bush administration released the following directives outlining initiatives for competing commercial activities. The directives emphasized the correct identification of all commercial activities and established accountability through competition goals.

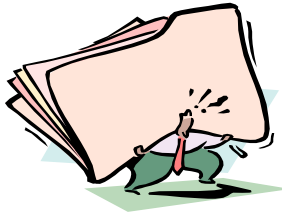
- ✓ February 14, 2001: OMB Memorandum highlighted President Bush's objective to expand OMB Circular A-76 competitions and to more accurately identify all commercial activities through Federal Acquisition Inventory Reform (FAIR) Act inventory analysis.
- ✓ March 9, 2001: OMB Memorandum expanded on the February 14, memo and directed all Federal agencies to complete either public-private competitions or direct conversions under the provisions of OMB Circular A-76, on not less than 5 percent of commercial activities positions listed in their FAIR Act lists in FY 2001, by the end of 2002.
- ✓ April 3, 2001: OMB Memorandum reminded agencies of the June 30, 2001, deadline to submit commercial activities lists/FAIR Act inventories. This memorandum also requested agencies to submit a separate inventory identifying all inherently governmental positions.

President Bush has demonstrated his commitment to make the Federal Government more efficient by mandating that Federal jobs identified as performing commercial activities be competed with the private sector

ADMINISTRATION DIRECTIVES – Cont.

- ✓ June 2001: OMB Memorandum directed agencies to compete at least an additional 10 percent of commercial activities positions in 2003.
- ✓ August 2001: The President's FY 02 Management Agenda established Competitive Sourcing as one of the Administrations top five management initiatives.

Agencies are currently conducting many business improvement initiatives. The Administration has provided consistent support of competitive sourcing as a method to reduce costs.



HOW WE GOT HERE

Competitive Sourcing is one of the five initiatives of the President's Management Agenda items designed to make the Government market-based, while encouraging innovation. Like all other Federal agencies, the President tasked DOE with subjecting 15 percent of our positions performing commercial activities to public-private competition during FY 2002 and 2003. Experience elsewhere in the Federal government demonstrates that this effort will lead to significant cost savings, whether the competition is won by Federal organizations or the private sector

In preparing the FAIR Act inventory in 2001, each DOE Element identified all of the positions that could be performed by the private sector -- essentially those functions and activities that are not inherently governmental in nature. Functions were nominated from the 2001 Inventory with the greatest potential for cost savings.

In March 2002, the Secretary of Energy designated the formation of a Competitive Sourcing Executive Steering Group (CSESG) to oversee the execution of the Department's Competitive Sourcing Program. The CSESG is chaired by Director, Office of Management, Budget and Evaluation/Chief Financial Officer, and includes representatives from organizations whose support is needed for the success of this initiative, including the Under Secretary for Energy, Science and Environment, the Under Secretary for Nuclear Security, General Counsel, Congressional and Intergovernmental Affairs, Public Affairs, affected line organizations, and representation from the unions.

The CSESG appointed a Functional Area Study Team (FAST) Leader to be responsible for the planning and execution of each of the approved studies. A listing of the functional area studies and team leaders appears in the table below:

Functional Areas Studies

<u>Function</u>	<u>Team Lead</u>
Information Technology	Karen Evans, CIO
Human Resources	Claudia Cross, ME
Financial Services	Helen Sherman, ME
Logistics	Brian Costlow, ME
Civil Rights Direct Conversion	Frank Beserra, ED
Graphics	Brian Costlow, ME

HOW WE GOT HERE – Cont.

The CSESG tasked the FAST Leaders with developing action plans with strategic details for their studies. The CSESG reviewed and approved the Action Plans in June 2002 and they are posted to the DOE Office of Competitive Sourcing/ A-76 website for review at www.ma.mbe.doe.gov/A-76.

The Teams responsible for executing the studies have been formed and are beginning the preliminary phase of developing their Performance Work Statements.

UPDATE ON THE STUDY TEAMS

THE LOGISTICS FUNCTIONAL AREA STUDY TEAM is now underway. Site managers and A-76 coordinators from the affected sites received briefings on the scope and approach of the study, and a number of sites have volunteered staff to serve as team members on the Logistics Study. Brian Costlow, Director, Office of Administration, is serving as the FAST Leader, and Laurie Morman, Office of Administration, is serving as the Deputy FAST Leader. The ESG approved the team's strategy for dividing the study into two solicitations – one for NNSA activities and one for all other DOE activities.

The Department is using Jupiter Corporation and Grant Thornton LLP as contractor support for this Study. Representatives of these companies are already beginning to call and visit sites to collect data for the Performance Work Statements.

During the week of September 16, affected sites received a validation list of positions to be studied. In addition, Workforce Orientation Sessions were held at Headquarters and Albuquerque for employees who want to learn more about the study process and how they could be impacted. A video of the Albuquerque session was made available to other sites for training purposes.

THE HUMAN RESOURCES (HR) FUNCTIONAL AREA STUDY TEAM has completed the planning phase of its study. The team has been working with Jupiter Corporation to collect the data necessary to support further development of the A-76 competitive sourcing process for the HR functional area. Data collection was focused on the training functions and positions (Federal and Contractor) throughout the DOE complex.

The HR Functional Area Study Team is working on the next phase of its study - development of a Performance Work Statement (PWS). A separate team comprised of volunteers from Field and Headquarters offices has been assembled for this effort.

THE FINANCIAL SERVICES FUNCTIONAL AREA STUDY TEAM was launched approximately 8 months ago in response to the Secretary's March 22, 2002, announcement. The plan is to complete the study by Fall 2003. As of September 2002, the study is proceeding according to the schedule published in the Financial Services Plan of Action and Milestones (POAM), which is available on the DOE A-76 Web Page. The following key activities and actions have occurred during this time.

- A team, comprised of financial professionals from several DOE locations, and contractors was assembled to develop the Performance Work Statement (PWS).
 - The team met in Oak Ridge, Tenn., for 2 weeks in August 2002 to draft an initial "strawman" PWS.

UPDATE ON THE STUDY TEAMS - Cont.

- Members of the team visited the Richland Operations Office, the Idaho Operations Office, and the Capital Accounting Center to validate the draft PWS. Additional visits are slated for the Office of Financial Control and Reporting, the Office of Corporate Financial Systems, the Albuquerque Financial Services Center, and the National Energy Technology Center. Other sites may be visited.
 - The team released the first working draft of the PWS on November 14th. This draft is available to all interested government and non-government parties for comment.
- Similarly, a team was assembled to begin the planning process for the Most Efficient Organization (MEO) (the government's bid and proposal). This team is undergoing training and working on preliminary activities since they cannot develop the MEO until a PWS has been made available to them and to other interested parties.
 - The Financial Services Steering Team held an "Electronic Town Hall" video teleconference call on August 28, 2002, with interested employees across the Department who work in financial management positions. Employees were briefed on the status of the study and had the opportunity to ask questions. More than 30 questions were asked, and responses to most of the questions have been developed and provided to all employees who work in DOE financial management positions.
 - The Financial Services Study Team developed and launched a financial services web site. The Web site, accessible as a link from the DOE A-76 Web site, contains the questions and answers arising from the Electronic Town Hall meeting. The Web site also contains the study POAM and an informative A-76 PowerPoint presentation prepared by the DOE Office of Competitive Sourcing. The Q&A portion will be updated as new questions or answers are provided, and other information and products (such as the first draft PWS) will be included as they become available.

Many employees have been interviewed to provide work task information for the PWS. Others have volunteered for either the PWS or MEO teams, and many employees have provided valuable comments and questions. Please visit our Web Site and direct any questions or comments you have to Paul Anderson, Financial Services Study Coordinator, at paul.anderson@srs.gov.

THE INFORMATION TECHNOLOGY FUNCTIONAL AREA STUDY TEAM

Karen Evans, the Departmental Chief Information Officer (CIO), has been granted the authority to conduct a Department-wide Competitive Sourcing Study of Information Technology (IT) functions by the Executive Steering Group. As the functional leader, her strategy entails looking at the entire department in one study and focusing the corporate approach to IT into a single most efficient organization. A single study will avoid the potential of studying IT several ways at multiple times.

To manage the daily activities of the study, the CIO formed a program management team consisting of a Program Manager - Bill Sylvester; a Headquarters Lead - Rickey Hall; a Field Lead - Jeff Vaughn; and an additional team member - Kevin Cooke. Other team members will be added as necessary by the Functional Leader. The Department has contracted with a Competitive Sourcing Expert Consultant, Jupiter Corporation and Grant Thornton to assist the team. Each program office

UPDATE ON THE STUDY TEAMS - Cont.

and field activity named a study point-of-contact to coordinate the data collection activities and interact with their respective organizations. A meeting/video workshop held in September summarized the strategy and provided an overview of A-76.

The initial action plan outlining the strategy is available on the Competitive Sourcing website. The first step in refining the project plan is to conduct a scoping study. The scoping study consists of studying the IT functions of a representative sample of activities and using this information to decompose the functions forming the basis of the data collection plan. A workshop was conducted in September for the first four sites; Albuquerque, Chicago, Golden and Rocky Flats.

In addition to the data collection plan, the remaining activities of this scoping phase include updating the communications plan, forming a training plan, defining roles and responsibilities, and revising the project plan.

Requests for additional information or questions on the IT Study should be addressed to Bill Sylvester at bill.sylvester@hq.doe.gov or 202-586-6500.

FREQUENTLY ASKED QUESTIONS

What criteria will be used and who will make the determination of what tasks the Performance Work Statement (PWS) Team will include in the PWS document for competitive sourcing?

The PWS Team, assisted by an A-76 Study experienced consultant, will: craft a PWS that eliminates perceived non-value added work; propose standardized work task policies where there are many different ways of doing things today; and, may propose that some tasks continue to be performed by government employees (in which case such tasks would not be subject to competition). A draft of the PWS may be published for review and comment before becoming final. Ultimately, the PWS Certifying Official (a senior DOE official) will certify the PWS for release to commercial vendors and to the Most Efficient Organization (MEO) Team. Both commercial vendors and the MEO Team must develop their bid proposals to satisfy the PWS. If a commercial vendor wins the bid, all PWS tasks will be done by contractor employees. The MEO Team and contractor can propose a mix of Federal employees and support contractor staffing in its "bid." Only a handful of people will know the content of the MEO "bid" prior to tentative decision because the MEO "bid" is considered procurement sensitive.

Government employees are routinely required to take on special projects while also performing a full-time operational position. If positions are contracted out, how will special projects/activities get done?

To the fullest extent possible, special project activities and other required collateral duties currently being performed by employees whose positions are included in the A-76 study will become a requirement of the PWS. The PWS specifies what interested commercial bidders and the MEO must provide in their bids. That is why the government is painstakingly crafting the PWS, in order to assure that needed work (whether part of an employees' normal duties or special assignments) will get done by the winning bidder or by the MEO.

FREQUENTLY ASKED QUESTIONS – Cont.**What happens to the MEO?**

It is the procurement process that ultimately decides which entity wins the public-private competition. In order for the private sector to win the competition, its bid must be more than 10 percent below the cost identified in the government's MEO bid. If the government wins the competition, then the agency is required to implement the proposed reorganization and staffing levels identified in the MEO, which may call for higher, lower, or the same structure and levels that currently exist. If a private sector offeror wins the bid, or a winning MEO calls for reduced staffing levels, then there will likely be a decrease in the overall staffing levels within the affected organizations and sites. If the MEO "wins" and is not fully implemented, the losing bidder, likely the one selected to be compared to the MEO, may be appointed the winner by a neutral party tasked with reviewing the implementation of the MEO. The A-76 process requires an implementation review within 1 year after the transition to the MEO.

Why are certain "inherently governmental" positions being included in the studies?

At certain points in the competitive sourcing studies, the Department will confirm/reconfirm the extent to which inherently governmental functions and staff will be affected by the A-76 processes. No matter who wins the competition, the public or private sectors will establish a Continuing Government Authority (also referred to as the "Residual Government Organization") to help implement the MEO or contract, as the case may be, and to continue providing those functions and activities not considered commercial in nature.

With respect to the Information Technology Study, the CSESG, at its June 17, 2002, meeting, agreed to the Chief Information Officer's (CIO) request that a complex-wide review be conducted on all IT positions. This approach allows the Department to design the optimum structure for delivering IT services while minimizing the impacts that would otherwise occur if separate and multiple IT management studies are conducted for the same purpose over several years.

Is Competitive Sourcing the Department's attempt to avoid using the unpopular and more costly Reduction-in-Force (RIF) process?

No. Competitive sourcing is not a substitute for RIF. RIF procedures are used to implement a management decision that results in a reduction in the government's workforce. The reasons for positions being abolished can include budget reductions, lack of work, or competitive sourcing. DOE's Competitive Sourcing Initiative is born out of the President's Management Agenda, which requires all Executive Branch agencies to subject their commercial-in-nature functions to public-private competition. The Competitive Sourcing process is governed by the Office of Management and Budget's (OMB) Circular A-76, Performance of Commercial Activities. A-76 is not a new phenomena, and it has been utilized at the Department of Energy in the past as a management tool to promote efficiencies. It has long been held that the United States government should not be in competition with the private sector for work that is non-governmental. Even so, the A-76 process affords government entities an opportunity to compete for such work, which would not be the case under an outsourcing approach.

See the A-76 Website for additional Frequently Asked Questions.

FOR MORE INFORMATION ON COMPETITIVE SOURCING

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